



**OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE**

Governance & Resources Committee – 20 July 2023

STATEMENT OF ACCOUNTS FOR 2021/22

Report of the Director of Resources

Report Author and Contact Details

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Wards Affected

District-wide

Report Summary

This report provides interpretation of the Statement of Accounts for 2021/22 and highlights the key issues. The report also requests approval of the Statement of Accounts for 2021/22.

Recommendation

That the Statement of Accounts for 2021/22 is approved.

List of Appendices

Appendix 1 Aide Memoire for Statement of Accounts 2021/22
Appendix 2 Statement of Accounts 2021/22

Background Papers

None

Consideration of report by Council or other committees

No

Council Approval Required

No

Exempt from Press or Public

No

Statement of Accounts for 2021/22

1. Background

- 1.1 Under the Accounts and Audit Regulations 2015 the District Council must:
- consider either by way of a Committee or by the Members meeting as a whole the Statement of Accounts;
 - following that consideration, approve the Statement of Accounts by a resolution of that Committee or meeting;
 - following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the Committee or meeting at which that approval was given; and
 - publish (which must include publication on the Council's website), the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor.

2. Key Issues

- 2.1 The Statement of Accounts 2021/22, shown as Appendix 2 to this report, has been audited by the Council's External Auditors, Mazars LLP. The significant findings of the audit are set out below and in the Audit Completion Report, elsewhere on the agenda for this committee meeting.
- 2.2 Adjusted Misstatements: The external auditor identified 6 misstatements that were accepted by management and subsequently corrected in the financial statements. Details of the adjusted misstatements are given on pages 21 to 23 of the Audit Completion Report, in the agenda pack for this meeting. Corrections were required to the Comprehensive Income and Expenditure Statement and Balance Sheet. Some disclosures notes had to be adjusted (see paragraph 2.4).
- 2.3 Unadjusted Misstatements: There are three unadjusted material misstatements, relating to rents from investment properties, expenditure for green waste disposal and the treatment of income from Right to Buy Sales in the calculation of the gain/loss on disposal of non-current assets. Details of the adjusted misstatements are given on page 24 of the Audit Completion Report and in the appendix to the Letter of Representation, both elsewhere on the agenda for this meeting.
- 2.4 Disclosure amendments: The external auditor also identified a small number of casting and descriptive issues that required correction. Details of the disclosure amendments are given on page 25 of the Audit Completion Report. The Statement of Accounts has been amended accordingly.
- 2.5 Officer comments: While the number of misstatements and amendments is higher than usual it should be recognised that preparation of the statement of accounts for 2021/22 took place during a period of high staff turnover (with loss of knowledge and experience) and while key staff in financial services were also

addressing additional work resulting from the coronavirus pandemic. This presented a significant challenge in terms of capacity to carry out tasks.

2.6 The overall financial position as at the 31st March 2022 remains the same as that included within the Draft Statement of Accounts and reported to Council in November 2022.

2.7 The Audit Opinion will be issued after the Committee has approved the Statement of Accounts and Letter of Representation. As part of corporate governance, the External Auditor is required to report relevant matters relating to the audit to Council (or a relevant committee). The normal statutory deadline of 31st July was extended to 30th November 2022 for the 2021/22 Statement of Accounts. There were delays to the audit due to a shortage of key personnel at the Council and at Mazars and owing to late technical guidance on the treatment of pensions. As the audit has only recently been concluded, this report is presented to this committee for approval of the Statement of Accounts. The External Audit Completion Report for 2021/22 from Mazars is included elsewhere on the Agenda of this meeting, and this report highlights the findings of the Audit.

2.8 The Accounts and Audit Regulations state that the accounts must be prepared in accordance with “proper practices”. The Local Government Act 2003 defines proper practices as those:

- Which the authority is required to follow by virtue of any enactment, or
- Which are contained in a code of practice or other document which is identified by the Secretary of State. The Secretary of State has determined that the following document is relevant:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.9 The Council’s accounts have been prepared to comply with proper practices, as demonstrated by the satisfactory completion of the external audit of the accounts. Compliance can also be checked by reviewing the Statement of Accounts against the Audit Commission’s Aide Memoire, which is included as Appendix 1 to this report.

3. Options Considered and Recommended Proposal

3.1 The Accounts and Audit Regulations 2015 require that the Statement of Accounts be approved by a resolution of a Committee. The Director of Resources will sign the Statement of Accounts on the day of the committee meeting and the External Auditor has reviewed them and given an opinion. It is therefore recommended that Members approve the Statement of Accounts for 2021/22.

3.2 Failure to approve the Statement of Accounts would be a breach of the Accounts and Audit Regulations 2015.

4. Consultation & Publicity

4.1 The Draft Statement of Accounts 2021/22 and notice of public rights were placed on the Council's website on the 9th November 2022 and the accounts were available for public inspection from 9th November 2022 to 20th December 2022. No objections or questions were received by the external auditor.

4.2 A notice of a delay in publishing the Audited Statement of Accounts is currently shown on the Council's website. The Audited Statement of Accounts will be published on the Council's website as soon as practicable following the Committee's approval and the receipt of the final version of the opinion from the external auditor.

5. Timetable for Implementation

5.1 The Audited Statement of Accounts will be published on the Council's website as soon as practicable following the Committee's approval and the receipt of the opinion from the external auditor.

6. Policy Implications

6.1 The Council's financial position is considered in determining all the priorities in the Corporate Plan.

7. Financial and Resource Implications

7.1 The accounts have been prepared in accordance with proper practices; the accounts have been independently reviewed by the external auditor. There is therefore no financial risk arising from this report.

8. Legal Advice and Implications

8.1 As stated, this report provides interpretation of the Statement of Accounts for 2021/22 and highlights the key issues. The report also requests approval of the Statement of Accounts for 2021/22. This report has been compiled in compliance with the Account and Audit Regulations 2015. The legal risk has been assessed as low.

9. Equalities Implications

9.1 Copies of the Statement of Accounts can be provided in other formats on request. There are no other equalities implications arising from this report.

10. Climate Change Implications

10.1 There are no other climate change implications arising from this report.

11. Risk Management

11.1 Financial and legal risks are described above. No other significant risks have been identified.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	03/07/2023
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	06/07/2023
Monitoring Officer (or Legal Services Manager)	James McLaughlin	11/07/2023

APPENDIX 1

Aide Memoire for Members: Statement of Accounts 2021/22

The purpose of the questions below is to help establish and provide evidence of a robust review of the accounts by the S151 officer and Members.

No.	Issue	Comment and evidence
1	Did the authority achieve the closedown plan (which allows the audited statement of accounts for 2021/22 to be approved by 30 November 2022)?	No. The draft accounts for 2021/22 (subject to audit) were signed by the S151 Officer on 8 November 2022 and published on the Council's website on 9 November 2022. Following the external audit, the draft accounts were sent to Members in July 2023 prior to the Governance and Resources meeting on 20 July 2023 where they are to be considered for approval. The reasons for the delay are explained in the Audit Completion Report elsewhere on the agenda for this committee meeting.
2	Have the auditors received regular updates on the plan and been warned of potential problems?	The auditors received a copy of the plan prior to and at the commencement of the Audit. During and after the closure process discussions have been held with the auditors regarding various areas of accounting. The auditors were given copies of the draft accounts and a selection of working papers at the commencement of the audit. Further working papers were provided during the audit (see point 11).
3	Have staff preparing the accounts attended CIPFA/Mazars workshops and are they aware of the key issues and changes in the CIPFA Code of Practice 2021/22?	CIPFA workshops were attended to provide guidance on technical matters relating to the 2021/22 Statement of Accounts. There were no workshops delivered by Mazars which were attended by accountancy staff.
4	Do staff preparing the accounts have up to date CIPFA guidance notes for practitioners?	Yes.
5	Have the accounts been checked for casting errors, internal inconsistency and cross referencing? (All numbers which are expected to agree do agree).	Yes. Excel checks are incorporated into the document to reduce the risk of casting errors and to check internal consistency. Internal consistency and cross referencing is also checked thoroughly by senior accounting staff. It can be problematic to eliminate all minor inconsistencies, and numbers in the Core Statements take precedence.

6	<p>Does the narrative statement set out the results for the year and comparison to budget, commenting on the significant items?</p> <p>Do the figures quoted reconcile to the main statements?</p>	<p>Yes – see pages 4 to 18 of the Statement of Accounts.</p> <p>Yes.</p>
7	<p>Has the audit of the accounts been advertised and accounts made available for public inspection?</p> <p>Have members of the public raised any objections? (If so, what are they?)</p>	<p>The Draft Statement of Accounts 2021/22 and notice of public rights were placed on the Council's website on the 9th November 2022 and the accounts were available for public inspection from 9th November 2022 to 20th December 2022.</p> <p>A notice of a delay in publishing the Audited Statement of Accounts is currently shown on the Council's website.</p> <p>No objections were received.</p>
8	<p>Has a bank reconciliation been completed as at 31st March 2022 with no unexplained entries?</p>	<p>Yes. The bank reconciliation for the year ending 31st March 2022 was completed. There were no unexplained entries.</p>
9	<p>Have all year-end control accounts been reconciled?</p> <p>How have you maintained control when staff are involved in budget preparations Nov – Feb time?</p> <p>Were there any significant slippages in reconciling suspense accounts e.g. cash suspense?</p>	<p>Yes.</p> <p>There were sufficient adequately trained staff in the Financial Services Section to undertake control account reconciliations, which was possible as tasks are completed by different staff members to those significantly involved in the budget preparations. There was some staff turnover during the time that the Statements of Accounts was prepared but the impact was mitigated by the engagement of agency personnel.</p> <p>There was some slippage with the production of monthly Bank Reconciliations during the year, due to staff turnover. The process is currently being reviewed and streamlined with a view to increasing resilience within the financial services team.</p>

10	Are there any significant unexplained budget variances?	There are no unexplained variances.
11	Have working papers been completed in accordance with the auditor's "Prepared By Client" list? Were they ready for the start of the audit?	Working papers were completed in accordance with the auditor's "Prepared By Client" list, as well as a working paper for each note to the accounts. Most working papers were ready for the start of the audit, with a small number produced during the audit.
12	Is there a sufficient basket of evidence gathered to allow the S151 officer and members to conclude on the effectiveness of Internal Audit, in relation to the Annual Governance Statement? E.g. Self-assessment by Internal Audit Manager, External Auditor's view of Internal Audit, Heads of Service view of Internal Audit.	<p>The Annual Governance Statement (AGS) for 2021/22, which identifies the Governance Framework and includes a review of its effectiveness, was approved by the Governance & Resources Committee on 14th July 2022.</p> <p>The Internal Audit Annual Report for 2021/22 was also considered at the meeting of the Governance & Resources Committee on 14th July 2022. This report includes an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion. For 2021/22, the Internal Audit Consortium Manager stated that <i>"I am satisfied that sufficient assurance work has been carried out (albeit the bare minimum) to allow me to form a reasonable conclusion on the adequacy and effectiveness of Derbyshire Dales District Council's governance, risk and control arrangements.</i></p> <p><i>The exceptions to this are in respect of:</i></p> <ul style="list-style-type: none"> • <i>the governance of the waste collection service – this is as a result of work undertaken by internal audit and by a consultant and was discussed at Council in February 2022.</i> • <i>procurement and contract management - there are concerns in respect of compliance with Financial Regulations and Procedures and Contract Standing Orders.</i> • <i>the arrangements for ensuring that systems are in place to meet grant conditions the late implementation of some internal audit recommendations (mostly implemented)."</i>

		<p>To comply with the Public Sector Internal Audit Standards (PSIAS) internal and external assessments of internal audit are required. An internal self-assessment against the PSIAS utilising the recommended CIPFA checklist is undertaken on an annual basis by the Internal Audit Consortium Manager and these have concluded compliance with the Standards. An independent external review of Internal Audit was carried out in May 2021. The report concludes that Internal Audit are delivering internal audit services to a standard that generally conforms with the PSIAS. There are no areas where the service does not comply with the standards. This means that Members can have confidence in the service provided by internal audit. It is acknowledged that internal audit has significant experience and appropriate qualifications allowing a robust internal audit standard to be maintained and delivered.</p>
13	<p>Has the action plan from the previous year's Annual Governance Statement been complied with? Are there any remaining control risks that undermine the content of the Annual Governance Statement or the Accounts?</p>	<p>Progress on the action plan for the 2020/21 Annual Governance Statement (AGS) is shown in the 2021/22 Statement, on page 51 of the Statement of Accounts. There were four recommendations which had not been completed at 31st March 2022 due to additional workloads during and after the coronavirus pandemic, as well as the impact of vacant posts. These were carried forward in the 2021/22 AGS Action Plan and relate to:</p> <ul style="list-style-type: none"> • the budget gap; • arrangements for asset management; • data protection arrangements; • internal audit staffing resources.